GOVERNMENT OF INDIA
RAILWAYS
LOK SABHA

STARRED QUESTION NO:359
ANSWERED ON:10.08.2016
Anomalies in Railways' Accounting System
Maadam Smt. Poonamben Hematbhai

Will the Minister of RAILWAYS be pleased to state:

(a) whether the World Bank and the International Monetary Fund have pointed out the anomalies in the accounting system of Indian Railways;

(b) if so, the details thereof and the reaction of the Railways thereto;
(c) whether the Railways is considering to move to an accrual system to mitigate major issues with the current system; and

(d) if so, the details thereof and the salient features of the said system?

Answer

MINISTER OF RAILWAYS
(SHRI SURESH PRABHAKAR PRABHU)
(a) to (d): A Statement is laid on the Table of the House.

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STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF STARRED QUESTION NO.359 BY SHRIMATI POONAMBEN MAADAM TO BE ANSWERED IN LOK SABHA ON 10.08.2016 REGARDING ANOMALIES IN RAILWAYS' ACCOUNTING SYSTEM

(a) No, Madam. No communication has been received from the World Bank or International Monetary Fund pointing out anomalies in the accounting system of Indian Railways.
(b) Does not arise.
(c) Indian Railways (IR) is a department of the Government of India and accordingly it is required to maintain its Accounts as per the form and format mandated by the Controller General of Accounts and the Comptroller and Auditor General of India. However, pursuant to the recommendations of Twelfth Finance Commission and Government Accounting Standards Advisory Board (GASAB) for transition to Accrual Accounting in Government departments, Indian Railway has embarked upon an Accounting Reforms Project which, inter alia, includes introduction of Accrual Accounting, in addition to the existing cash based accounting statements, to reorient financial reporting of operating and financial position of Indian Railways. This will facilitate improved decision making to enhance efficiency, effectiveness of public spending through creation of more accurate and accessible financial information and improved resource allocation due to a better insight into costs of policy and transparency of results.
(d) Indian Railways has initiated pilot studies on introduction of Accrual Accounting at North Western Railway (NWR), Jaipur and Rail Coach Factory (RCF), Kapurthala. The pilot studies aim to prepare accrual based financial statements of North Western Railway, Jaipur (a Zonal Railway) and Rail Coach Factory, Kapurthala, (a Production Unit) which inter alia include the Profit and Loss statement, Balance Sheet and Cash Flow statement.
The salient feature/basic tenet of Accrual Accounting is that under this system of accounting, financial transactions are recorded in the accounting period in which they accrue and arise, whether or not a receipt or payment occurs. In contrast, cash based accounting, followed by government departments including IR, records the revenue and expenditure only when the money is received or paid out. Thus the main difference between the cash and accrual basis of accounting is the timing of the recognition of revenue and expenses.
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